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September 12, 2018

Ms. Jocelyn Boyd  
Chief Clerk and Administrator  
South Carolina Public Service Commission  
Synergy Business Park, The Saluda Building  
101 Executive Center Drive  
Columbia SC 29210

Re: Proposed Experimental Rider ED-1; Revised Schedule O  
Docket No. 2018-\_\_\_\_-E

Dear Ms. Boyd:

Lockhart Power Company ("LPC") hereby submits for approval its experimental tariff – ED-1 for Economic Development and revised Schedule O, Power Adjustment Clause. This letter is accompanied by the following attachments:

1. Attachment A – The proposed Experimental Tariff ED-1; and
2. Attachment B – Revised Schedule O, Power Adjustment Clause.

The purpose of the ED-1 experimental tariff is to promote economic development for the benefit of LPC's customers. The areas Lockhart Power serves are primarily rural and have had negative population growth for much of the last decade, so the most meaningful path to load growth is by attracting new industrial customers. This new tariff offers a competitive rate by capitalizing on Lockhart Power's ability to serve large electric loads in several specific areas very cost effectively, and passes these savings on to new large industrial customers, without increasing costs for existing customers. Existing customers benefit both because the new customers pay all of the costs associated with providing the new customers' services plus a contribution margin to benefit the entire system, and because the increase in large customer diversity will mitigate the system impact of any single large customer leaving in the future.

Schedule O is being revised to add the additional sentence at the end which says that customers billed under the Experimental Rider ED-1 "Economic Development" will be excluded from the PAC calculation.

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Lockhart Power Company requests that this submission be processed pursuant to Section 58-27-870 (F) as the tariff is for experimental purposes and therefore may be put into effect without notice and hearing. Additionally, the revision to Schedule O is for the purpose of making it consistent with the experimental tariff and so is for the purpose of obtaining orderly rate administration, therefore it is requested that the Commission process Schedule O without notice and hearing pursuant to Section 58-27-870 (F) as well.

LPC respectfully requests Commission approval of the experimental tariff and revised Schedule O, Power Adjustment Clause, at the Commission's earliest convenience. Upon approval by the Commission, LPC will complete its implementation plans and make the programs available to customers as soon as reasonably possible.

Please let me know if you have any questions.

Very truly yours,

McNAIR LAW FIRM, P.A.

  
M. John Bowen, Jr.

MJB:khh

Enclosures: as stated

cc: Jeff Nelson, Esq., Office of Regulatory Staff  
Dawn Hipp, Office of Regulatory Staff

LOCKHART POWER COMPANY  
EXPERIMENTAL RIDER ED-1

ECONOMIC DEVELOPMENT

AVAILABILITY

Available to new customers, at the Company's sole discretion, who will receive and maintain service under the Company's Schedule I "Industrial Service" with a minimum contract demand of five (5) megawatts.

All terms and conditions of Schedule I "Industrial Service" applicable to the Customer shall apply, except as modified by this Rider.

GENERAL PROVISIONS

This Rider will provide recovery of the incremental economic impact of the Customer on the Company's system. This recovery will include additional investment in infrastructure, the associated return on equity, and related expenses, as well as purchased power expense necessary to serve the Customer. A contribution margin will also be included in an amount determined by the Company, but not less than \$1.00 per megawatt hour.

The monthly bill will consist of a Customer Specific Demand charge, a Purchased Power Demand charge, a Purchased Power Energy charge, a Purchased Power Transmission charge, and a Purchased Power True-Up. This calculation of the monthly bill will replace the monthly rate calculation as described in Schedule I "Industrial Service". The recovery of purchased power expenses shall be subject to an annual true-up.

The Purchased Power expense and kWh Sales associated with all customers who are billed under the terms of this Rider will be excluded from the PAC calculation as outlined in Schedule O "Power Adjustment Clause".

At the Company's discretion, the fixed cost component of the rate can be waived until the earlier of six months after executing the Customer service agreement or the commencement of operations by the Customer.

CONTRACT PERIOD

The Customers receiving service under this Rider are subject to terms of the "Contract Period" section as described in Schedule I "Industrial Service", except the original minimum term will be five (5) years.

The Customer may terminate service under the provisions of this Rider by giving the Company at least twelve (12) months' advance notice of termination in writing. If the Customer requests an amendment to or termination of the service agreement before the expiration of the original minimum term, the Customer may be required, at the option of the Company, to pay an early termination charge as determined by the Company.

The Company reserves the right to modify or cancel service to the Customer under this Rider, including updating the costs associated with the calculation of this rate, upon twelve (12) months' notice.

Effective for service rendered on and after \_\_\_\_\_  
SCPSC Docket No. \_\_\_\_\_, Order No. \_\_\_\_\_

LOCKHART POWER COMPANY  
SCHEDULE O POWER  
ADJUSTMENT CLAUSE

Lockhart Power Company incurs considerable costs that are variable in the discharge of its requirement to supply power to its customers. These fall mainly into two categories: purchased power and fuel-related costs of generation. Variances in these costs are recovered through this rate schedule. In addition, certain wholesale power sales are credited to customers as an offset to cost of service through this same schedule.

Purchased Power

Purchased Power consists of the direct cost paid to Lockhart's power supplier for the wholesale purchase of power to satisfy Lockhart's full requirements needs. These costs will be included in the calculation of the monthly clause factor as a charge for the power purchased.

Wholesale Power Sales

When Lockhart requests and subsequently receives South Carolina Public Service Commission approval for a specific generation project to be included in its cost of service, the sales of such generation, if made off-system in the wholesale market, will be credited as an offset to the monthly power cost.

Fuel Costs

This consists of all fuel costs used in the generation process, including landfill gas royalties paid, and diesel fuel cost, including, but not limited to, the actual cost of the fuel and any associated taxes, transportation and other costs of acquiring the fuel stock. These costs will be included in the calculation of the monthly clause factor as a charge for the fuel purchased.

Levelization

Pursuant to the South Carolina Public Service Commission Order No. 2014-723 in Docket 2013-378-E, a specified annual levelization adjustment shall be applied to Residential and Commercial customers each year for a period of five years.

Calculation and Application of Monthly Charge Factor

Whenever the power cost per kWh on electric power purchased by Lockhart Power Company for requirements kWh sales shall increase above or decrease below 3.8364 cents per requirements kWh sold by the Company, the Company will pass this change on to its individual customers.

The amount of the monthly charge per kWh will be determined by the following formula, rounding the result to the nearest one-hundredth of a mill:

$$\text{PAC} = (((\text{Purchased Power Cost} + \text{Fuel Cost} - \text{Revenue Credits}) / \text{Requirements kWh Sales}) - .038364) \times 1.003 + (\text{Levelization} / 12 / (\text{Residential kWh Sales} + \text{Commercial kWh Sales})).$$

This increase or decrease will be adjusted to all bills rendered during the following month.

The Purchased Power expense and kWh Sales associated with all customers who are billed under the terms of Experimental Rider ED-1 "Economic Development" will be excluded from the PAC calculation.

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